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SUBJECT: HI-TECH START-UP COMPANIES IN LAHORE -- A BRIGHT SPOT

Summary

¶1. (SBU) Summary: Economic and Commercial Affairs Counselor and FCS Specialist visited a number of hi-tech start-up companies founded by Pakistanis with extensive U.S. experience in the Lahore area February 11-13. NetSol, PalmChip and Raffles were particular standouts, with each NetSol license selling for over a million dollars. End summary.

¶2. (SBU) During a visit to the Lahore area February 11-13, Economic and Commercial Affairs Counselor and FCS Specialists visited a number of U.S. companies founded by Pakistanis returning from the U.S. after studies and long-term experience in the U.S. high tech sector. NetSol, Palm Chip and Raffles were particular standouts for their contributions to the Pakistani economy, the desire of the owner-founders to give back to their communities, and quality jobs.

NetSol

¶3. (SBU) Founded in 1995 and headquartered in Calabasas, California, NetSol specializes in information technology and software development. It was the first Pakistani company to trade on NASDAQ beginning in 1999 and also trading in Karachi Stock Exchange since 2005. While it survived the technology crash and 9/11, NetSol's founder Salim Ghauri explained that the company lost all its U.S. business during this period. Today, NetSol, with an annual turnover of \$40 million, has 550 employees globally, including about 100 in Lahore. The company's specialty is customized software for automotive company leasing, financing and fleet management. Most automobile manufacturers, including Daimler-Chrysler, Fiat, Nissan, Toyota, BMW and Mercedes, use NetSol software. Individual software licenses start at \$1 million each. Closer to home, the company is also developing a pilot land record management system for the Punjab funded by the IBRD. (Comment: Some 70 percent of Pakistani court cases are land disputes. Lack of a secure land tenure regime also affects access to credit, particularly for small and medium sized enterprises. End comment.)

¶4. (SBU) The Embassy has been assisting NetSol with an IPR case involving two former employees, who left the company last year and recently launched their own company via the web selling NetSol's products worldwide. Allegedly, both gradually took code, project information, customer information and correspondence with the intent to start their own competitive company. According to NetSol, the two former employees launched their company in July 2007 thus violating previous trade secrets disclosures. NetSol filed a case with Pakistan's Federal Investigation Agency (FIA) in November 2007. The Embassy continues to work with FIA to ensure a proper investigation.

PalmChip

¶5. (SBU) PalmChip was founded in 1996 and is headquartered in

Silicon Valley, California with offices in Lahore and Islamabad. Today the company has over 100 employees and is growing with annual sales of \$1.5 million. Its Lahore office specializes in software and chip development, including a "system on a chip software" used in most PDAs, mobile phones, digital cameras and wireless modems among other products. Customers include Toshiba, Philips, Motorola, IBM, Hewlett-Packard, AMD and others. Over 65 licensees and over 30 consumer products use this technology. PalmChip's senior management is all Pakistani-American citizens with extensive experience in U.S. IT companies. PalmChip is also developing its business with Pakistani mobile phone companies and has developed a secure parking compound software package for a Lahore client.

Raffles

¶6. (SBU) Raffles was founded in 2000 by a Pakistani educated in the U.S. who had already obtained licensing agreements with Intel, Apple and Microsoft in the late 1990s. The company having turnover of \$1.5 million is the first and only locally assembled branded computer manufacturer in Pakistan. Its products are sold in UAE, Singapore, Malaysia, among others. One of the company's proudest achievements, however, is the development of a \$200 laptop mini-computer using Microsoft software and Intel chips for the primary and secondary education sector. It is the size of a portable DVD player and reportedly resistant to being dropped. Raffles is still testing a \$100 laptop, and will soon offer a \$25 Windows operating system in Pakistan. The company has also worked with some success with local banks to provide consumer financing for the PC sector since Pakistan does not have any mega stores offering consumer electronics and retail credit.

Comment

¶7. (SBU) While still small, Pakistan's indigenous software and hardware development companies are a bright spot in the effort to diversify exports away from textiles. The government is doing everything it can to help this sector develop, as it is providing high value exports and good jobs. End comment.

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